

Briefs

Livestock, Dairy, & Poultry

U.S. Beef Production To Drop From Record Level

U.S. cattle inventories are set to decline through 2000, with beef production likely down in 2000 and again in 2001. Behind the beef production falloff is an expected decline in feedlot placements in second-half 1999. But before then, beef production will reach a record in 1999 as heifer slaughter remains near record large.

Meanwhile, total red meat and poultry supplies will stay near record highs in 2000 as pork supplies remain large and the rate of broiler supply expansion returns to levels of the mid-1990's. Continued low feed costs will help hold down beef production costs. In addition, grazing conditions are favorable in most parts of the country, and hay production is forecast at record levels.

The July 1, 1999, cattle inventory was down 1 percent from a year earlier, continuing its decline from the 1996 cyclical peak. Most cow-calf operators have lost money since 1995, but can expect positive returns above cash costs this year. With the beef-cow inventory down 1 percent on July 1 from a year earlier, and the number of beef replacement heifers down 4 percent, producers are not likely to begin breeding more replacement heifers until at least 2000, and the next gain in the calf crop will not occur until at least 2001. The 1999 calf crop is estimated to be the smallest since 1952.

With total number of cattle on feed on July 1 above a year earlier, the supply of cattle available for marketing during the declining phase of the cattle cycle is at its peak. As inventories decline, the trend in feedlot inventories is clearly down over the next several years, even if heifer retention remains low.

On July 1, cattle in feedlots with capacity over 1,000 head in the 7 monthly reporting states were up 4 percent from a year ago and up 6 percent from 1997. However, total placements will move below a year earlier in second-half 1999, and they will continue declining until the calf crop rebounds.

Falling feedlot placements ensure that beef production will begin to decline fairly sharply through at least 2001, but not before breaking the 1976 record for both commercial and total beef production in 1999. Steer and heifer slaughter is expected to decline nearly 6 percent in

2000, after rising 2 percent in 1999 from a year earlier. The full extent of the dropoff will be determined by the number of heifers actually retained for herd expansion. Through the third quarter, heifer slaughter is the second largest after 1976. Cow slaughter is expected to decline nearly 6 percent in 1999 and another 5-6 percent next year.

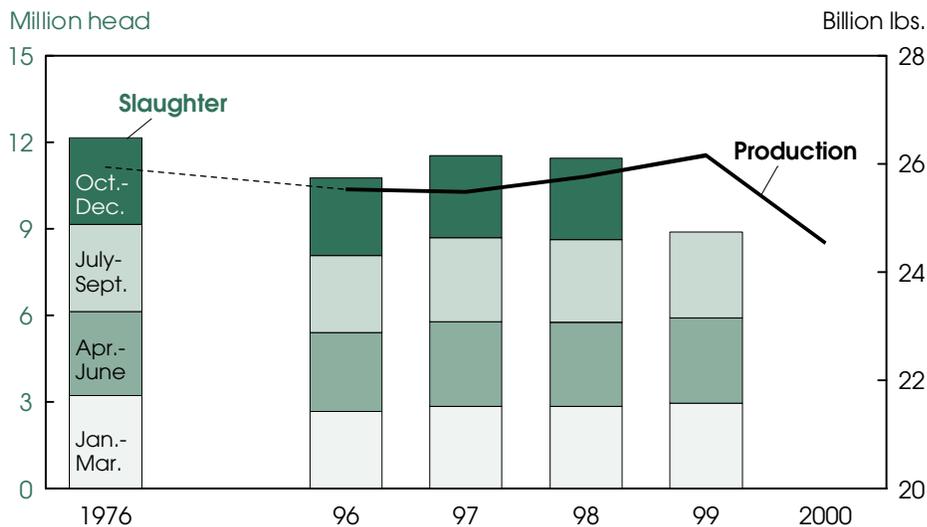
Beef production is expected to remain above a year earlier through early fall. Fourth-quarter production is expected to decline 1-2 percent from a year earlier because of lower summer placements. Production in 2000 is expected to decline

4-7 percent, with the largest year-to-year declines taking place next spring and summer, reflecting large year-to-year changes in heifer slaughter. This will also be the most difficult period of adjustment for end users as supplies of higher quality beef tighten and prices rise. Retail markets, with large supplies of competing meats, will likely see the greatest reductions in beef offerings.

Fed-cattle prices are expected to remain in the mid-\$60's per cwt through early fall as large first-half placements are marketed. Prices are expected to move into the upper \$60's in late fall through first-quarter 2000. Supplies will begin to tighten fairly substantially in the second quarter as demand strengthens seasonally. Tight supplies will push up average prices to near \$70 in the last three quarters of 2000, with the market possibly moving even higher late in the year if the U.S. economy remains strong.

Yearling feeder cattle prices have already strengthened as fed-cattle prices held firm this spring and summer and as grain prices declined. Large grain stocks are expected to hold down grain price increases through much of 2000. Prices of 750- to 800-pound yearling steers are expected to average near \$77 per cwt this summer, up from \$68 in 1998. Prices are likely to

Higher Heifer Slaughter Will Eventually Pull Down Beef Production



1999 and 2000 forecast. 1976 record slaughter. Slaughter forecast not available for 2000 and 4th-quarter 1999.

average in the low \$80's in 2000, the first sustained rise to this level since 1993.

Per capita beef supplies are expected to remain about unchanged in 1999 from last year's 68.1 pounds, but are likely to decline 3-4 pounds in 2000. At the same time, however, broiler supplies are forecast up 5 pounds per capita from 1998 and will likely rise 4 pounds in 2000. Total red meat and poultry consumption, a record-large 214 pounds per capita in 1998, is expected to reach nearly 220 pounds this year and decline only modestly in 2000.

Large supplies of competing meats are likely to hold down beef retail price gains over the next couple of years as beef supplies decline. Retail prices for Choice beef are expected to average \$2.83 a pound this year, up from \$2.77 in 1998. Prices may rise to \$2.86 in 2000, the highest since 1993 when total per capita meat supplies were only 208 pounds. In 2000, supplies will be near 217 pounds per person.

As overall beef supplies decline, buyers will increasingly compete for tight supplies of cattle grading Choice, which is higher valued beef sold extensively in domestic

Feed & Forage Are Plentiful

With feed grain supplies remaining high in 1999/2000, relatively low prices will continue to keep down costs for livestock producers (see Commodity Spotlight). The farm price of corn in 1999/2000 is expected to average near the 1998/99 average of \$1.95 per bushel and well below 1997/98's \$2.43.

Forage conditions have been very favorable in most parts of the country. The exception is the mid-Atlantic, eastern Corn Belt, and Northeast, where dry weather has sharply reduced forage supplies. Total hay production in 1999 is forecast at a record 161 million tons, up 6 percent from 1998 and 5 percent higher than 1997. Yield is forecast record high, and acreage is expected to rise 3 percent from a year earlier. Forage supplies look favorable for most of the industry, given favorable grazing conditions in most areas and a reduced cattle herd. Producers in areas with shortages can acquire stocks from areas where supplies are plentiful, although shipping charges can limit transport distances.

hotel-restaurant and export markets. Lower valued beef, particularly Select grade and nonbranded beef sold in retail markets, may have difficulty competing profitably against expanding supplies of other meats at relatively low prices.

At the producer level, demand for breeding stock that produce high-grade beef will likely increase. In fact, a shift away from breeding stock yielding low-grade beef is likely already underway, which may have supported production of lower

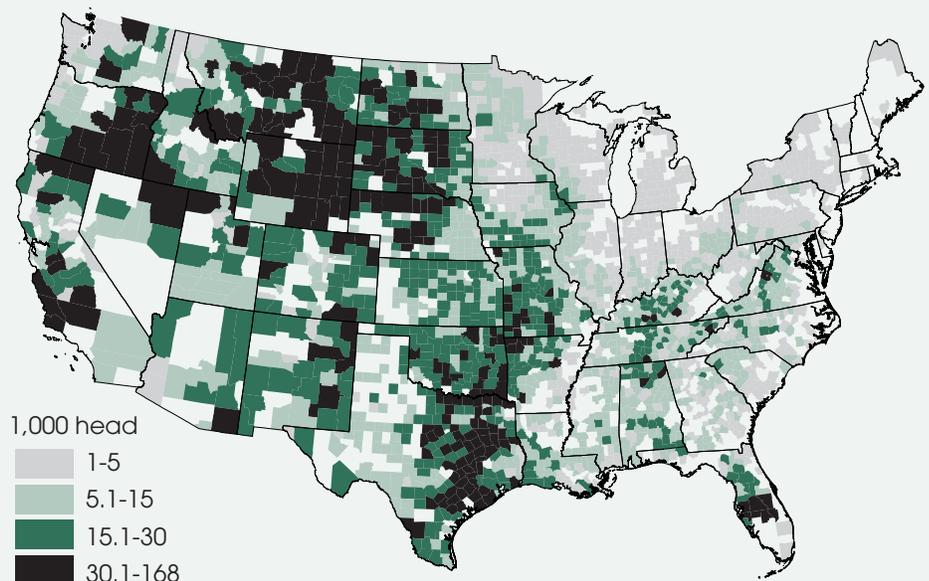
quality beef during the past year and dampened its retail price. Thus the price spread between Choice and higher graded beef and the lower grades may be increasingly reflected in feeder cattle prices. Discounts may increase on stocker-feeder cattle that will not reach desired grade and consistency characteristics at slaughter, particularly as the cattle inventory begins its next cyclical expansion. **AO**

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Ag Industry Snapshot

Beef Cow Inventory Is Distributed Throughout the U.S.

Cattle tend to be fed on land not needed for crop production or in areas that are too rolling, wooded, rocky, or arid. Consequently, the U.S. beef industry is distributed throughout the country. The cow-calf industry is centered in the Great Plains states, with the largest beef cow inventories in Texas, Missouri, Nebraska, Oklahoma, Montana, and Kansas. In 1998, nearly 856,000 farms and ranches reported beef cow holdings, with an average of 40 cows per farm. The total beef cow inventory was 33.9 million head.



Source: 1997 Census of Agriculture, National Agricultural Statistics Service, USDA.
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